

VZCZCXYZ0000
RR RUEHWEB

DE RUEHLP #1193/01 1241953
ZNR UUUUU ZZH
R 041953Z MAY 06
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 9080
INFO RUEHAC/AMEMBASSY ASUNCION 5813
RUEHBO/AMEMBASSY BOGOTA 3110
RUEHBR/AMEMBASSY BRASILIA 6972
RUEHBU/AMEMBASSY BUENOS AIRES 4218
RUEHCV/AMEMBASSY CARACAS 1511
RUEHPE/AMEMBASSY LIMA 1488
RUEHME/AMEMBASSY MEXICO 1695
RUEHMN/AMEMBASSY MONTEVIDEO 3757
RUEHQT/AMEMBASSY QUITO 4151
RUEHSG/AMEMBASSY SANTIAGO 8697
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC

UNCLAS LA PAZ 001193

SIPDIS

SENSITIVE
SIPDIS

STATE FOR WHA/AND LPETRONI
USTR FOR BHARMAN
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: N/A
TAGS: [ETRD](#) [EINV](#) [ECON](#) [PREL](#) [PGOV](#) [BL](#)
SUBJECT: BUSINESSMEN QUESTION GOB'S ECONOMIC OBJECTIVES

REF: A. LA PAZ 1172

[1](#)B. LA PAZ 1100

[1](#)1. (SBU) Summary: The GOB's lack of clearly defined economic objectives is increasingly frustrating La Paz businessmen, who say government officials' erratic behavior has weakened Bolivia's investment climate. Leading manufacturers recently told EconOff that the GOB's failure to negotiate a free trade agreement with the United States would harm many exporters, and a prominent business chamber representative said many of his constituents had given up trying to shape government economic policies after GOB decisions to abandon traditional free trade pacts and nationalize the hydrocarbons sector. These moves, together with the prospect of additional nationalizations and the threat of broad government intervention in the economy, have deepened the business community's pessimism and prompted many to wonder how best to protect their interests. End summary.

[1](#)2. (SBU) The GOB's lack of clearly defined economic objectives is increasingly frustrating La Paz businessmen, who say government officials' erratic behavior has weakened Bolivia's investment climate and undermined opportunities for economic growth. The GOB has repeatedly delayed the announcement of its long-awaited economic development plan, and officials' contradictory statements have complicated the country's economic uncertainty. Businessmen complain that officials say one thing privately and another publicly, frequently doing the opposite of what they promise. President Morales' early interest in negotiating a free trade agreement, businessmen observed, has vanished, replaced by a thorough rejection of traditional models of international trade and by a poorly defined proposal for a series of Peoples' Trade Agreements with countries determined to move away from "neoliberal" economic policies (reftels).

[1](#)3. (SBU) Leading manufacturers recently told EconOff that the GOB's failure to negotiate a free trade agreement with the United States would harm many exporters and make it virtually

impossible to compete in U.S. markets. George Satt, President of United Furniture Industries, Bolivia's leading producer of furniture and wood products, said the company's exports would eventually face four percent tariffs - up from zero under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) - and would lose market share to cheaper Vietnamese and Chinese goods. Despite his grim outlook, however, Satt may be better off than another leading exporter. Marcos Iberkleid, President of Ametex, Bolivia's leading apparel manufacturer and largest private employer, told EconOff his exports to Ralph Lauren and other U.S. clients would face 16 to 20 percent tariffs and said buyers' reluctance to sign contracts for 2007 has forced him to consider shutting down after ATPDEA's year-end expiration.

14. (SBU) Concerns about GOB trade policies were echoed by Roberto Mustafa, President of the Private Businessmen's Confederation, who told EconOff May 3 that many of his constituents had given up trying to shape government economic policies after GOB decisions to abandon traditional free trade pacts and nationalize the hydrocarbons sector. Businessmen have been frustrated not only by the GOB's failure to protect export markets, but also by officials' interference in the private sector. President Morales' stated respect for private enterprise and for domestic and foreign investors, Mustafa explained, has been followed by nationalization, attempts to undermine employers' ability to freely hire and fire workers, and threats to alter various industries' tax structures. According to Mustafa, neither Morales nor his key advisors, including Minister of Planning Carlos Villegas, can be trusted to honor their promises.

15. (SBU) Comment: The recent nationalization of the hydrocarbons sector, the promise of similar moves in other industries, and the threat of broad government intervention in the economy have deepened the business community's pessimism and prompted many to wonder how best to protect their interests. Many have decided that remaining quiet is the best way to avoid attracting attention to their operations. Increasingly, leading manufacturers are shaking their heads at Morales' antics, baffled by actions that seem to place greater value on short-term political gain than on long-term economic growth. Unsure how to respond, businessmen appear unconvinced that even a united front will shape the GOB's objectives, whatever these might be. End comment.
GREENLEE